



PAYCHECK PROTECTION PROGRAM

June 25, 2020



PPP OVERVIEW

Self-Help PPP Loans through June 12, 2020:

- \$170 million in PPP loans
- 1,395 small business and nonprofit borrowers served
- 18,000 jobs supported

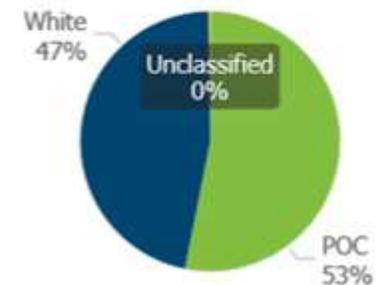
Nonprofit Status by \$



Loans Under \$50k



% by \$ to Person of Color



PPP LOAN FORGIVENESS

- Recent Program Updates
- Potential Additional Updates
- Current rules & tips for borrowers

FORGIVENESS – RECENT UPDATES

PPP Flexibility Act became law on June 5 – updates include:

Provision	Original CARES Act / SBA Guidance	Updated Flexibility Act
Covered Period for use of PPP funds	8 weeks	24 weeks
Minimum % for Payroll Costs	75%	60%
Maintain Staff	Rehire/refill exceptions, etc.	Add'l exceptions – includes COVID-related economic injury
Loan Payment Deferral	6 months	Until forgiveness determination
Forgiveness Request Deadline	None	10 months after end of Covered Period
Unforgiven Amount Loan Term	2 years	5 years for PPP loans approved after June 5
Deferral of Payroll Taxes	Not permitted	Permitted

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FORGIVENESS – POTENTIAL ADDT'L UPDATES

Congress/SBA currently considering:

- 1: Streamlined Forgiveness Application
 - 2: Extending opportunity to apply for PPP past June 30
 - 3: Additional flexibility for use of funds
 - 4: Additional focus on underserved communities
- **TIP:** Individual borrower stories are powerful – consider reaching out to your Congressional representatives to let them know what parts of PPP are working well and what changes would help you & your employees

FORGIVENESS – CURRENT RULES & TIPS

What is required for forgiveness?

- 1: Use funds for eligible purposes
 - 2: During the required time period
 - 3: Maintain staff
- Keep documentation!
 - **TIP:** SBA is issuing updated guidance based on the PPP Flexibility Act changes, so it is still too early to apply for forgiveness

FORGIVENESS: 1–ELIGIBLE PURPOSES

Payroll Costs & Eligible Non-Payroll Costs

Payroll Costs (same definition as when you applied)

- Salary, wage, commission, cash tip or similar compensation
 - Exclude employees whose principal place of residence is outside U.S.
 - Exclude compensation in excess of \$100,000 annualized per employee
 - Vacation, parental, family, medical, or sick leave
 - Exclude qualified sick and family leave wages for which a credit is allowed under the Families First Coronavirus Response Act
 - Employer-paid group health care benefits
 - Employer-paid employee retirement benefits
 - Employer-paid state/local employee compensation taxes
 - Exclude employer-paid federal employment taxes
-
- **TIP:** Payroll Costs must total at least **60%** of the amount for which you request forgiveness

FORGIVENESS: 1-ELIGIBLE PURPOSES

Payroll Costs

- PPP is intended to allow businesses to continue paying staff, so that you do not have to rehire/retrain when you reopen
 - **TIP:** Okay to pay employees even if you do not have work for them
 - **TIP:** Okay to pay for full hours, even if working reduced hours
- Hazard pay, incentives/bonuses, COLA
 - **TIP:** Allowed for employees, provided total compensation per employee does not exceed \$100,000 annualized
 - **TIP:** Not allowed for owners
- **TIP:** For self-employed individuals, easiest 100% forgivable use of PPP funds is for your payroll as owner over a 2½ month period
- **TIP:** No double-dipping:
 - Self-employed individuals cannot get both PPP & unemployment
 - Nonprofits should not use PPP for payroll that is paid by other funding

FORGIVENESS: 1-ELIGIBLE PURPOSES

Eligible Non-Payroll Costs

- Interest payments on business mortgage obligation on real or personal property
 - Exclude any payment of principal
 - Exclude any prepayment
 - Business rent or lease payments for real or personal property
 - Business utility payments for a service for the distribution of electricity, gas, water, transportation, telephone, and internet access
 - Must be obligation of the borrower
 - Obligation must have been in place prior to 2/15/20
- **TIP:** Non-Payroll Costs must not total more than **40%** of the amount for which you request forgiveness

FORGIVENESS: 1-ELIGIBLE PURPOSES

TIP: Non-Payroll Costs should be included on your 2020 business tax return

7 Gross income. Add lines 5 and 6		7	
Part II Expenses. Enter expenses for business use of your home only on line 30.			
8 Advertising	8	18 Office expense (see instructions)	18
9 Car and truck expenses (see instructions).	9	19 Pension and profit-sharing plans	19
10 Commissions and fees	10	20 Rent or lease (see instructions):	
11 Contract labor (see instructions)	11	a Vehicles, machinery, and equipment	20a
12 Depletion	12	b Other business property	20b
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions).	13	21 Repairs and maintenance	21
14 Employee benefit programs (other than on line 19)	14	22 Supplies (not included in Part III)	22
15 Insurance (other than health)	15	23 Taxes and licenses	23
16 Interest (see instructions):		24 Travel and meals:	
a Mortgage (paid to banks, etc.)	16a	a Travel	24a
b Other	16b	b Deductible meals (see instructions)	24b
17 Legal and professional services	17	25 Utilities	25
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28	26 Wages (less employment credits)	26
29 Tentative profit or (loss). Subtract line 28 from line 7	29	27a Other expenses (from line 48)	27a
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	b Reserved for future use	27b
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3.	31		

Ex: 2020 Schedule C:

- Line 16 - Mortgage Interest
- Line 20 - Rent
- Line 25 - Utilities

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FORGIVENESS: 2-REQUIRED TIME PERIOD

- Covered Period:
 - **24 weeks** (168 days) after you receive PPP funds
 - If PPP funds received April 20, first day is April 20 and last day is October 4
- Optional Alternative Payroll Covered Period (APCP):
 - Aligns your 24 weeks with your payroll cycle
 - If PPP funds received April 20, but next payroll cycle starts April 26, then first day is April 26 and last day is October 10
 - Only allowed if biweekly or more frequent payroll cycle
 - Can only use for Payroll Costs (use Covered Period for any Non-Payroll Costs)

FORGIVENESS: 2–REQUIRED TIME PERIOD

- Okay if **paid** during your Covered Period
- Okay if **incurred** during your Covered Period, even though paid after Day 168 (if paid on or before next scheduled payment date)
 - Ex: Covered Period June 1 (Day 1) to October 4 (Day 168)
 - Borrower pays May utilities bill on its June 10 due date
 - Eligible for forgiveness? *Yes, fully* – paid during Covered Period
 - Borrower pays October utilities bill on its November 10 due date
 - Eligible for forgiveness? *Yes, partially* – October 1-4 incurred during Covered Period, so that portion can be included
 - **TIP:** If including incurred costs that are paid after your Covered Period, be sure to pay on or before the regularly scheduled payment date
 - **TIP:** Prepayments do not appear to be forgivable

FORGIVENESS: 3–MAINTAIN STAFF

- Forgiveness is reduced if fewer FTE employees
 - **TIP:** FTE Exceptions (if documented!):
 - Rehire or refill on or before **12/31/2020**
 - Employees who refuse to return despite good faith rehire offer (note you must report this to State unemployment office)
 - Employees who voluntarily resign or request reduced hours
 - Employees who are fired for cause
 - Unable to refill positions with qualified individuals
 - **Unable to return to same level of business activity due to compliance with COVID-related safety/sanitation/social distancing guidance**
- Forgiveness is reduced if employee pay reduced more than 25%
 - **TIP:** Exception (if documented!): Restore pay on or before **12/31/2020**

FORGIVENESS: 3-MAINTAIN STAFF

- Compare Pre-COVID Period to Covered Period/APCP
 - Pre-COVID Period options:
 - February 15, 2019 to June 30, 2019
 - January 1, 2020 to February 29, 2020
 - Addt'l option if seasonal: any 12-week period between 5/1/19 & 9/15/19
 - **TIP:** New pre-COVID FTE calculation – does not rely on original application count
 - **TIP:** To maximize forgiveness, choose period with lowest # of FTEs
- Calculating FTEs - based on 40-hour work week
 - Rounding Option: Divide each employee's hrs/wk by 40 & round to nearest 10th
 - Ex: 32 hrs/wk employee = 0.8 FTE
 - Simple Option:
 - 40 hrs/wk employee = 1 FTE & less than 40 hrs/wk employee = 0.5 FTE
 - Ex: an employee who works 32 hrs/wk = 0.5 FTE
- **TIP:** An employee cannot = more than 1 FTE
- **TIP:** Must use same option for pre-COVID & post-COVID calculation, but try calculating periods both ways to determine which is more favorable

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FORGIVENESS – CURRENT RULES & TIPS

What will SBA review?

- SBA may review any loan at any time (before or after forgiveness determination)
 - Borrower eligibility
 - For loans over \$2mm, includes review of needs certification
 - Loan amount
 - Use of proceeds
 - Forgiveness amount
- If SBA determines borrower ineligible: forgiveness denied
- If SBA determines loan amount, UOP, or forgiveness amount incorrect: forgiveness denied or reduced
- If SBA determines fraud: potential federal prosecution
- Borrowers must keep records for 6 years

FORGIVENESS – ADDT'L **TIPS**

- Keep your documentation!
- Review representations & certifications carefully
- Maintain FTEs & don't reduce pay by more than 25% OR document exceptions
- EIDL Advance may reduce forgiveness amount
- You may apply for forgiveness for all or a portion of your loan
- Repay any unforgiven amount over loan term at 1% interest
 - New PPP loans – loan term is **5 years**
 - Existing PPP loans – loan term is 2 years
 - **TIP:** you & your lender can mutually agree to extend to 5 years
 - Prepayment is allowed

Q&A

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